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DENALI COMMISSION

Fiscal Year 2012 Draft Work Plan

Agency: Denali Commission.

Action: Notice; Correction

Summary: The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and in training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998 Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121). The Denali Commission Act requires that the Commission develop proposed work plans for future spending and that the annual Work Plan be published in the Federal Register, providing an opportunity for a 30-day period of public review and written comment. The Commission is republishing the May 17, 2012 notice in full with corrections included.

This Federal Register notice serves to announce the 30-day opportunity for public comment on the Denali Commission Draft Work Plan for Federal Fiscal Year 2012.

Dates: Comments and related material to be received by June 20, 2012.

Address: Submit comments to the Denali Commission, Attention: Sabrina Hoppas, 510 L Street, Suite 410, Anchorage, AK 99501.

For Further Information Contact: Ms. Sabrina Hoppas, Denali Commission, 510 L Street, Suite 410, Anchorage, AK 99501. Telephone: (907) 271-1414. Email: shoppas@denali.gov

Background: The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998, Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121).

The Commission's mission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges in America's most remote communities.

Pursuant to the Denali Commission Act, as amended, the Commission determines its own basic operating principles and funding criteria on an annual federal fiscal year (October 1 to September 30) basis. The Commission outlines these priorities and funding recommendations in an annual Work Plan. The Work Plan is adopted on an annual basis in the following manner, which occurs sequentially as listed:

- Commissioners first forward an approved draft version of the Work Plan to the Federal Co-Chair.
- The Federal Co-Chair approves the draft Work Plan for publication in the *Federal Register* providing an opportunity for a 30-day period of public review and written comment. During this time, the draft Work Plan is also disseminated widely to Commission program partners including, but not limited to the Bureau of Indian Affairs (BIA), the Economic Development Administration (EDA), and the United States Department of Agriculture – Rural Development (USDA-RD).
- Public comment concludes and Commission staff provides the Federal Co-Chair with a summary of public comment and recommendations, if any, associated with the draft Work Plan.
- If no revisions are made to the draft, the Federal Co-Chair provides notice of approval of the Work Plan to the Commissioners, and forwards the Work Plan to the Secretary of Commerce for approval; or, if there are revisions the Federal Co-Chair provides notice of modifications to the Commissioners for their consideration and approval, and upon receipt of approval from Commissioners, forwards the Work Plan to the Secretary of Commerce for approval.
- The Secretary of Commerce approves the Work Plan.

FY 2012 Annual Work Plan (Amended)

In FY 2011, the typical annual Work Plan process was not carried out. Several factors contributed to this including continuing resolutions (CRs) passed by Congress late in the fiscal year resulting in latent consideration of the FY 2011 annual Work Plan by the

Commissioners (Commissioners met on June 2, 2011 to consider the FY 2011 annual Work Plan). In addition, the final FY 2011 budget included a rescission of \$15,000,000 in prior year unobligated funds and uncertainty on how the rescission may impact the FY 2011 Work Plan was not resolved until September 2011.

With concurrence from the Office of Management and Budget (OMB) and the Secretary of Commerce, the amended FY 2011 Work Plan will be processed concurrently with the FY 2012 Work Plan. The FY 2011 Work Plan and the amended budget for the FY 2011 Work Plan are not included as part of this FY 2012 Work Plan document.

FY 2012 Appropriations Summary

The Denali Commission has historically received several federal funding sources (identified by the varying colors in the table below). These fund sources are governed by the following general principles:

- In FY 2012 no project specific earmarks were directed.
- The Energy and Water Appropriation is eligible for use in all programs, but has historically been used substantively to fund the Energy Program.
- All other funds outlined below may be used only for the specific program area and may not be used across programs. For instance, Federal Transit Administration funding, which has in the past been appropriated for the Transportation Program, may not be moved to the Energy Program.
- Final transportation funds received may be reduced due to agency

modifications, reductions and fees determined by the U.S. Department of Transportation. Final program available figures may not be provided until later this spring.

- All Energy and Water Appropriation funds, including operational funds, designated as “up to” may be reassigned to the Legacy Energy Program, Bulk Fuel and Rural Power System Upgrades, if they are not fully expended in a program component area or a specific project.

- **Total FY 2012 Budgetary Resources provided:**

These are the figures that appear in the rows entitled “FY 2012 Appropriation” and are the original appropriations amounts which do not include Commission overhead deductions. These funds are identified by their source name (i.e., Energy and Water Appropriation, USDA-RUS, etc.). The grand total for all appropriations appears at the end of the FY 2012 Funding Table.

- **Total FY 2012 Program Available Funding:**

These are the figures that appear in the rows entitled “FY 2012 Appropriations – Program Available” and are the amounts of funding available for program(s) activities after Commission overhead has been deducted. The grand total for all program available funds appears at the end of the FY 2012 Funding Table.

- **Program Funding:**

These are the figures that appear in the rows entitled with the specific Program and Sub-Program area, and are the amounts of funding the Draft FY

2012 Work Plan recommends, within each program fund source for program components.

- **Subtotal of Program Funding**

These are the figures that appear in rows entitled “subtotal” and are the subtotals of all program funding within a given fund source. The subtotal must always equal the Total FY 2012 Program Available Funding.

Denali Commission FY 2012 Funding Table	Totals
FY 2012 Energy & Water Appropriation	\$10,679,000
FY 2012 Energy & Water Appropriation - Administrative Funds	\$3,294,000
FY 2012 Energy & Water Appropriation -- Program Available	\$7,385,000
<i>Total Energy Projects</i>	\$7,385,000
<i>Health</i>	\$0
<i>Training Program</i>	\$0
<i>Economic Development</i>	\$0
<i>Solid Waste Program</i>	\$0
<i>Sponsorship Program</i>	\$0
Sub-total \$	\$7,385,000

FY 2012 USDA, Rural Utilities Service (RUS) - pending estimate	\$2,900,000
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FY 2012 USDA, Rural Utilities Service (RUS) – Program	\$2,784,000
Available (less 4% overhead)	
<i>Bulk Fuel/RPSU Planning, Design & Construction</i>	\$2,784,000
Sub-total \$	\$2,784,000
FY 2012 Trans Alaska Pipeline Liability (TAPL) Trust	\$6,800,000
FY 2012 Trans Alaska Pipeline Liability (TAPL) – Program	\$6,460,000
Available (less 5% overhead)	
<i>Bulk Fuel Planning, Design & Construction</i>	\$6,460,000
Sub-total \$	\$6,460,000

FY 2012 Federal Transit Administration (FTA) – Estimate	\$5,000,000
<i>\$5,000,000 from section 3011 (FTA) for docks and harbors</i>	
FY 2012 Federal Highway Administration (FHWA) – Estimate	\$0 - \$24,700,000
<i>For necessary, expenses for the Denali Access System Program as authorized under Section 1960 of Public Law 109-59</i>	
FY 2012 Transportation Program Available – (less 5%)	\$4,750,000 - \$28,215,000
<i>Transportation Program: Docks & Harbors</i>	\$4,750,000
<i>Transportation Program: Roads –Estimate</i>	\$0 - \$23,465,000
Sub-total \$	\$4,750,000 - \$28,215,000
TOTAL FY 2012 Federal Program Available	\$21,379,000 - \$44,844,000

FY 12 Program Details & General Information

The following section provides narrative discussion, by each of the Commission Programs identified for funding in the FY 2012 funding table above.

Energy Program

Basic Rural Energy Infrastructure

The Energy Program is the Commission's original program and focuses on bulk fuel facilities (BFU) and rural power system upgrades/power generation (RPSU) across rural Alaska. About 94% of electricity in rural communities is produced by diesel generators and about half the fuel storage in most villages is used for these power plants for distribution. Alternative means of generating power can reduce the capacity needed for fuel storage and ultimately reduce the cost of power to the community.

Alternative/Renewable Program and Emerging Technologies

The *Energy Policy Act of 2005* established new authorities for the Commission's Energy Program with an emphasis on alternative and renewable energy projects. Although the 2005 Energy Policy Act did not include appropriations, the Commission is expected to carry out the intent of the Act through a portion of its Energy and Water Appropriation funding. To date, the Commission has co-funded a number of renewable projects and each year new initiatives are considered. After providing seed funding toward the initiative, in 2007, the State of Alaska passed legislation and funded the Renewable Energy Fund (REF).

With the advent of the REF, State resources to meet commercial-ready renewable technology needs are available, yet a gap in meeting the emerging energy technology needs was identified. Similar to the REF partnership, the newly established Emerging Energy Technology Fund (EETF) was provided seed funding to support demonstration projects for applied research and further technologies focusing on deployment in rural Alaska. The EETF has since passed the State Legislature, has formed its selection process and is proceeding with project selection.

Other Renewable Initiatives

As the Renewable Energy Fund and Emerging Energy Technology Fund proceed, the Commission strives to support their success. In 2011, the Commission funded \$300,000 toward Renewable Energy Technical Assistance, which resulted in match funding from the Department of Energy toward the newly established State Technical Assistance Response Team (START). The START effort provides technical assistance to a select number of communities to help assess energy needs, deal with barriers and identify funding options. To keep with the 2005 direction to fund renewable and alternative energy, the FY 2012 Work Plan includes \$300,000 toward this effort in 2012.

The FY 2011 Work Plan outlines a strategy to balance the Energy Program in both legacy and renewable components, providing up to \$2.4 million of available program funds specifically toward the emerging technology program pending state match. If match for this program is not provided, this funding shall be reallocated to legacy projects.

FY 2012 Program & Project Policy Issues

The approved FY 2008 Denali Commission Policy Document requires and prioritizes cost share match for funded projects. In implementing this policy, 10% match was required in FY 2010 and FY 2011. In FY 2012 new statutory match is required in the amounts of 50% for non-distressed and 20% for distressed communities and only applies toward construction projects using Energy and Water Appropriation funding. In future funding years, the Commission will require consistent match for energy projects funded with other funding (TAPL, RUS). For FY 2012 funding, the Commission will apply the 10% match for RUS and TAPL funding and the 50% and 20% match requirements for Energy and Water Appropriation funding.

Sustainability Policy

All energy construction grants will proceed after business plans are reviewed and approved by Commission.

FY 2012 Project Selection Process

The Energy Advisory Committee (EAC) provides guidance to Commissioners and staff on the program, and is comprised of members involved in energy development in Alaska. Members include representatives of Associated General Contractors, Alaska AFL-CIO, Department of Energy National Renewable Energy Lab, the University of Alaska Institute of Northern Engineering, USDA, Kotzebue Electric Association and two public members representing rural Alaska. The EAC provided general recommendations supporting the ongoing priority for funding Bulk Fuel/Rural Power System Upgrade

planning, design and construction, providing match funding for the emerging energy technology program and for renewable energy regional planning in coordination with the Alaska Energy Authority's initiative to meet statewide energy infrastructure needs for all of the above.

Legacy Program (Bulk Fuel/RPSU)

Due to the nature of the due diligence requirement of energy projects, seasonal logistics in Alaska and funding restrictions (i.e. TAPL funds may only be used for bulk fuel projects) -- a project may not progress as quickly as another. Given the late timing of funding in FY 2011, summer construction grants are not anticipated. A final project list will be developed based on available funds, project readiness, available match and other due diligence. Final project lists are provided to EAC for feedback prior to final grant execution.

Transportation

Section 309 of the Denali Commission Act 1998 (amended), created the Commission's Transportation Program, including the Transportation Advisory Committee. The advisory committee is composed of nine members appointed by the Governor of the State of Alaska including the Chairman of the Denali Commission; four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer; and four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

The Transportation Program addresses two areas of rural Alaska transportation infrastructure: roads and waterfront development. There is consensus among agencies and communities that the program is successfully addressing improvements to local and regional transportation systems. This is largely a function of the TAC's success at project selection and monitoring, and the success of the program's project development partners. The program is generally a competitively-bid contractor or materials-based project opportunity grounded in Title 23 CFR. These strict project development and construction guidelines have presented some challenges to the Commission's ability to respond quickly to targets of opportunity, but they have also had the positive effect of ensuring project design and construction is executed at a professional level. The program operates under a reimbursable payment system that requires local and program partner sponsors to pay close attention to accounting procedures prior to their payments to contractors and vendors. This system helps ensure project payments are eligible when submitted to the Commission.

In FY 2012 the program will continue its focus on barge landings and mooring points in rural communities. These projects range from one or two mooring points to secure a barge, to small dock structures, depending on community size and barge operation characteristics. The value of these structures lies in improved fuel/freight transfer operations and improved worker and environmental safety. The Commission and the U.S. Army Corps of Engineers (USACE) will continue to work through the prioritized list of barge landing and mooring point projects which were identified in a formal analysis conducted in FY 2009 and FY 2010. The universe of need for the first generation of

projects is in the range of \$40,000,000.

The TAC met on January 26-27, 2012 to select waterfront projects and will meet in early summer to select road project priorities for FY 2012. Final project approvals and funding amounts have been approved by the Federal Co-Chair and are available on the Commission's website.

As shown in the FY 2012 Funding Table, the estimate for FHWA funding ranges from \$0 to \$24,700,000. In 2011 continuing resolution language, the US Secretary of Transportation was assigned the responsibility by Congress to identify FHWA projects and programs that were sufficiently funded (i.e. completed). In following this assignment, the Secretary determined that the Denali Access Program was sufficiently funded and \$13,300,000 in FY 2011 FHWA funding was assigned to the Alaska Department of Transportation. At the request of the Denali Commission Inspector General, GAO is presently considering whether the Secretary had the authority to make this determination regarding the Denali Access Program. At the time of drafting this 2012 annual Work Plan, the GAO Comptroller General has not yet issued an opinion. Therefore, depending upon the forthcoming opinion the Commission may receive no FHWA funding or potentially receive both FY 2011 and FY 2012 FHWA funding – totaling \$24,740,000.

Joel Neimeyer
Federal Co-Chair

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